



House of Representatives

General Assembly

File No. 84

January Session, 2001

House Bill No. 6615

House of Representatives, March 29, 2001

The Committee on General Law reported through REP. FOX of the 144th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT ESTABLISHING CONSUMER PROTECTIONS FOR HOME IMPROVEMENT CONTRACTOR FINANCED PROGRAMS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Subsection (e) of section 20-429 of the general statutes is repealed
2 and the following is substituted in lieu thereof:

3 (e) Each home improvement contract entered into shall be
4 considered a home solicitation sale pursuant to chapter 740 and shall
5 be subject to the requirements of said chapter regardless of the location
6 of the transaction or of the signing of the contract. Each home
7 improvement contract in which the owner agrees to repay the
8 contractor for an amount loaned or advanced to the owner by the
9 contractor for the purposes of paying for the goods and services
10 provided in such contract shall comply with the provisions of part XI
11 of chapter 669.

GL *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Potential Minimal Revenue Gain

Affected Agencies: Department of Consumer Protection

Municipal Impact: None

Explanation**State Impact:**

The bill requires home improvement contracts in which a contractor advances or loans money to a homeowner, to comply with the Retail Installment Sales Financing Act (RIFSA). Willful and deliberate failure to comply with RIFSA is subject to a fine of \$25-\$500 per offense. Expanding RIFSA to include these home improvement contracts could result in a minimal revenue gain, the extent of which is dependent on the number of violations that occur. The bill could result in additional workload for the criminal justice system. This workload is anticipated to be absorbable within current budgetary resources. There is no fiscal impact to the Department of Consumer Protection to administer provisions of this bill.

OLR Bill Analysis

HB 6615

AN ACT ESTABLISHING CONSUMER PROTECTIONS FOR HOME IMPROVEMENT CONTRACTOR FINANCED PROGRAMS.**SUMMARY:**

This bill requires that home improvement contracts in which a contractor advances or loans money to a homeowner comply with the Retail Installment Sales Financing Act (RISFA). Retail installment sales are those in which a buyer pays for goods purchased from a retail seller in installments and the seller keeps a security interest in the goods during the contract term.

It is unclear whether the bill means that home improvement contractual agreements must contain provisions required by RISFA or if, in addition, the contracts are subject to RISFA's maximum finance charges, penalties for violation, and other provisions on matters such as enforcement, assignment, and renewal.

The law already requires that home improvement contracts (1) be in writing and be entered into by a registered salesman or contractor. They must contain the owner and contractor's signatures, (2) the entire agreement, (3) the transaction date, (4) the contractor's name and address, (5) a notice of the owner's cancellation rights, and (6) the starting and completion dates.

By law, home improvement contracts are also subject to the Home Solicitation Sales Act, which gives buyers the right to cancel a contract within three days of signing an agreement.

EFFECTIVE DATE: October 1, 2001

RISFA Contract Requirements

The act requires that retail installment contracts (1) be in writing, (2)

include the entire agreement, (3) have all essential provisions completed before the buyer signs, (4) comply with the Truth-in-Lending Act, (5) be labeled RETAIL INSTALLMENT CONTRACT, (6) state whether there is insurance coverage for personal liability or property damage caused to others, and (7) include a specific notice to the buyer. RISFA transactions are also subject to the Uniform Commercial Code, although RISFA prevails whenever there is a conflict.

The notice to the buyer must (1) warn against signing contracts that contain blank spaces, (2) inform him of his right to a copy of the signed contract, and (3) inform him of his right to pay the contract off in advance and obtain a partial refund of any unearned finance charge, to redeem the property if it is possessed, and, under certain circumstances, require that it be resold.

Other RISFA Provisions

RISFA

1. sets a maximum finance charge of 18% for goods other than motor vehicles,
2. allows contractors to repossess goods if the retail buyer defaults on payments or in any other way breaches the contract,
3. allows for certain delinquency and collection charges,
4. allows for prepayment,
5. allows retail sellers to assign contracts to finance companies, but only if the assignment complies with state law, and
6. allows for contract renewal and extensions.

RISFA also penalizes anyone who willfully violates its provisions. Violators are prohibited from recovering any finance, interest, delinquency or collection charges. Except for violations subject to the Truth-in-Lending Act, anyone who willfully and deliberately fails to comply with RISFA is also subject to a fine of \$25 to \$500 for each

offense.

COMMITTEE ACTION

General Law Committee

Joint Favorable Report

Yea 17 Nay 0